Dangerous Opportunities: Strategic Implications of the Global Financial Crisis

Robert J. Hansen
UNIVERSITY OF SOUTHERN MAINE

William S. McClure
UNIVERSITY OF MASSACHUSETTS AMHERST

Sandra Parkes
UNIVERSITY OF UTAH

INTRODUCTION

Without question, the current economic downturn is at the forefront of conversations in continuing higher education. Yet as recently as March 2008, this was not the case for continuing education (CE) professionals, according to surveys conducted by University Continuing Education Association (UCEA). In 2007-08, each of UCEA's four commissions (Futures and Markets; Leadership and Management; Learning, Instruction, and Technology; and International Affairs) was asked to identify the top 10 trends over the past four years. Those lists were compiled and presented during an interactive session at the 2008 annual conference in New Orleans, and the top five trends were as follows:

- increased demands for new and innovative programs;
- ongoing budgetary issues;

- increasingly frequent reorganizations that change the role of CE within the university;
- need to better serve students electronically; and
- keeping up with changing expectations/standards for accreditation/assessment.

By autumn, the American and world financial markets were massively destabilized as a result of the credit crisis. Arguing that the financial crisis could not be ignored, the chairs of the four commissions decided to survey their commissioners in advance of meetings in January 2009 and to discuss results and their implications in a plenary panel discussion. The rich and lively discussion that ensued prompted slight revisions and a plan for broader distribution of the survey.

In March 2009, the survey sent to all UCEA institutional representatives asked about the state of economic affairs in their institutions and units. The authors believe the results are both suggestive and heuristic, and hope that this article will create a meaningful dialogue about the implications of these trends for our institutions and for our profession.

BACKGROUND DATA

Of the 420 UCEA institutional representatives contacted, 150 responded on behalf of their institution's continuing education unit, of which two-thirds (66.4 percent) were public. The other relevant piece of background data that will help put the survey results in perspective is the amount of the responding unit's total gross revenue:

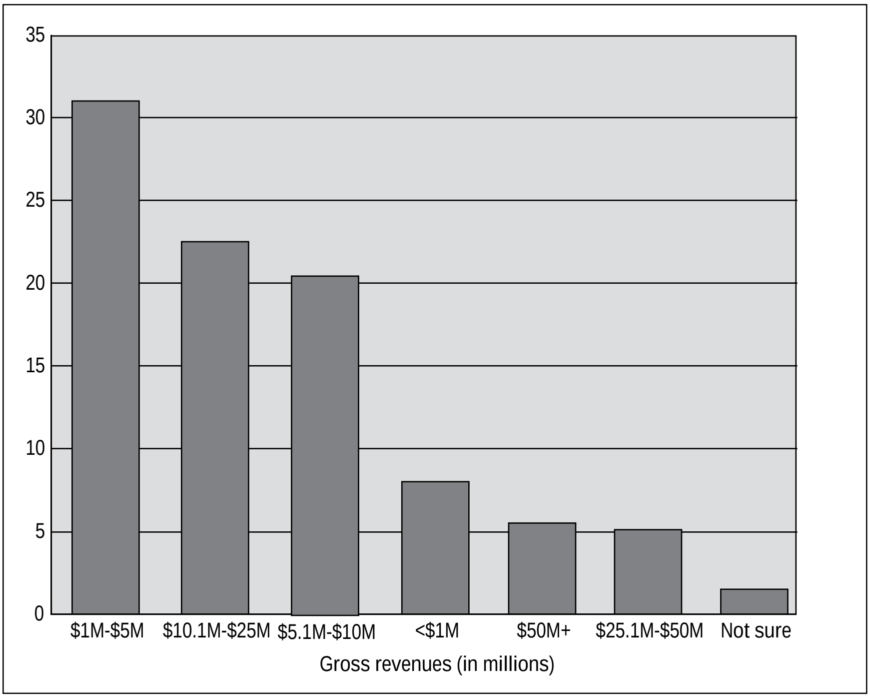
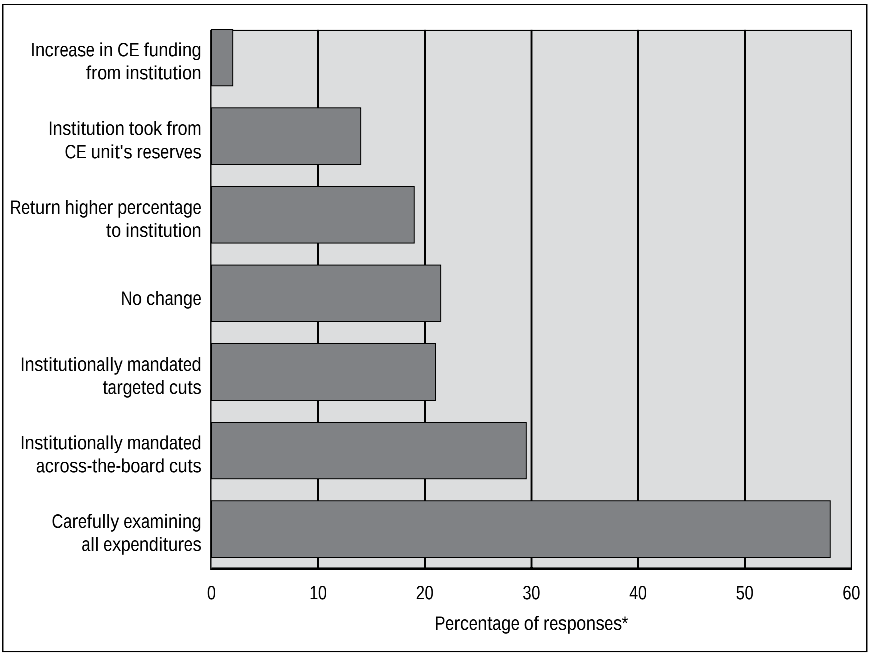


Chart 1. CE units by total gross revenue in 2007-2008 (academic year)

SURVEY RESULTS

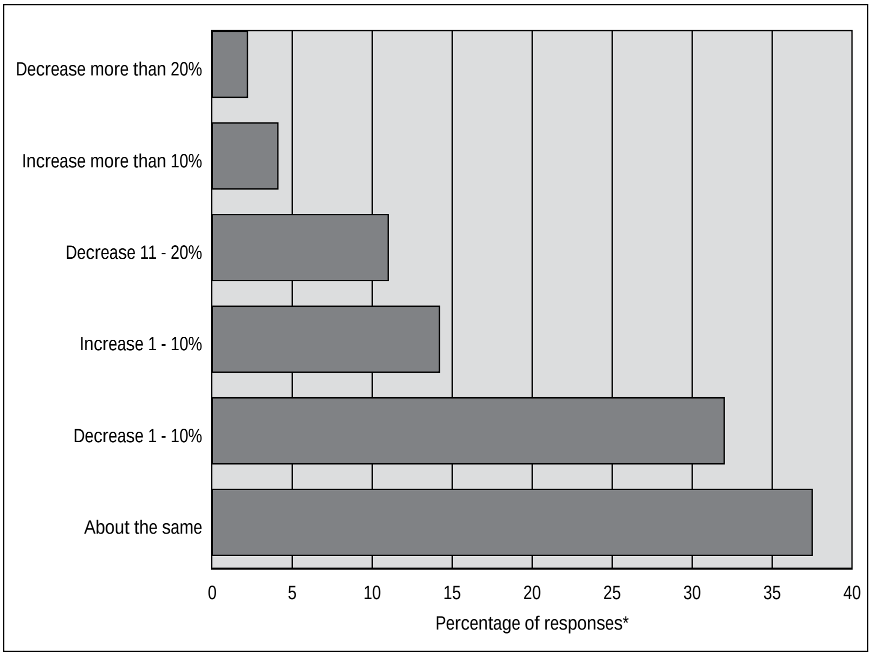
When asked about the impact of the economic climate on the financial relationship between the continuing education unit and its parent institution, the majority of respondents (57.9 percent) replied that all of their expenditures were under close scrutiny (Chart 2). Other responses were grouped closely together, perhaps indicating that specific strategies and decisions were still being formulated. Other tactics in written comments included fee increases, eliminating expense fees such as those for credit cards, staff furloughs, and other targeted cuts. One respondent reported that "new non-revenue producing activities were being assigned to CE" by the campus, which amounted to "taking" more reserves. Still another respondent reflected concerns about across-the-board cuts rather than targeted ones based upon strategic considerations.



**Participants could choose more than one response*

Chart 2. Effect of economic climate on the financial relationship between the CE unit and parent institution

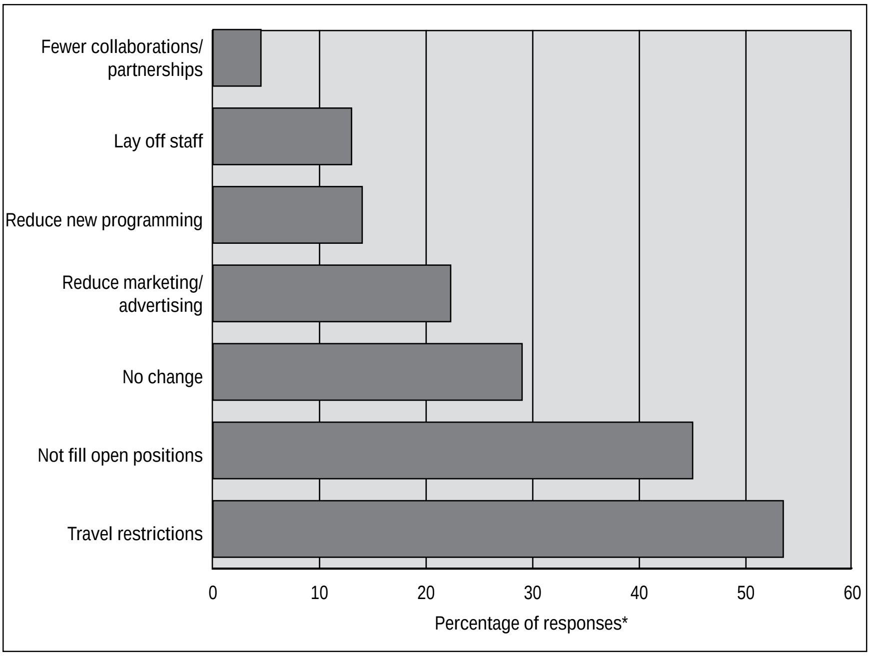
In terms of short-term budget planning, 38.2 percent of the respondents said that their budgets were "about the same" and 43.8 percent indicated some type of a decrease (Chart 3). Surprisingly, almost one-fifth (18.8 percent) expected an increase to their budget. Written comments indicated that state support to public institutions was not yet known and could cause further negative impacts: many states and campus FY 2010 budgets were not yet finalized and could create more concerns. Some CE units reported that the campus budget offices took money from their accounts without coordination or prior communication. Many respondents were making plans to increase enrollments and revenue.



**Participants could choose more than one response*

Chart 3. Impact on CE unit budget from FY2008 to FY 2010

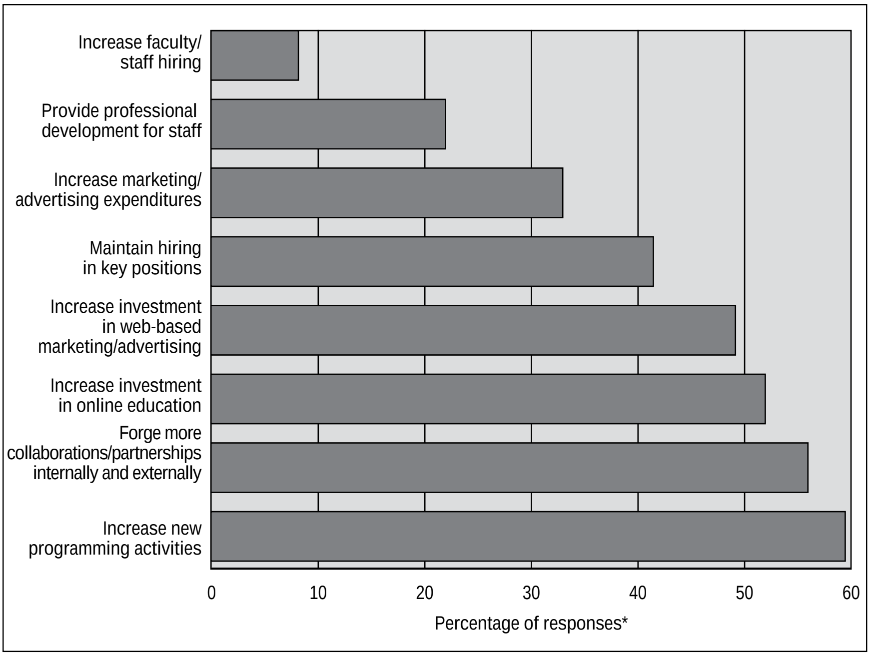
Responding to changes in CE budgets, more than half of the CE units plan to cut travel expenses (Chart 4). Many indicated that complex travel approval procedures have already been put in place. The next most frequent measure was not filling vacant positions, another easy action to implement but one that could weaken the CE function if crucial positions are in question. Although 28.6 percent said that no changes were yet in order, 22.6 percent planned to reduce marketing/advertising, a tactic that could significantly affect the CE unit's ability to recover from the fiscal crisis or compromise its ability to increase enrollments. Written comments brought up reorganizing and restructuring the CE unit to seek efficiencies for the future, investing further in technology, and considering on- and off-campus programming collaborations. There were several other comments about how some CE staff positions were being re-purposed to absorb additional responsibilities.



**Participants could choose more than one response.*

Chart 4. CE unit response to budget change

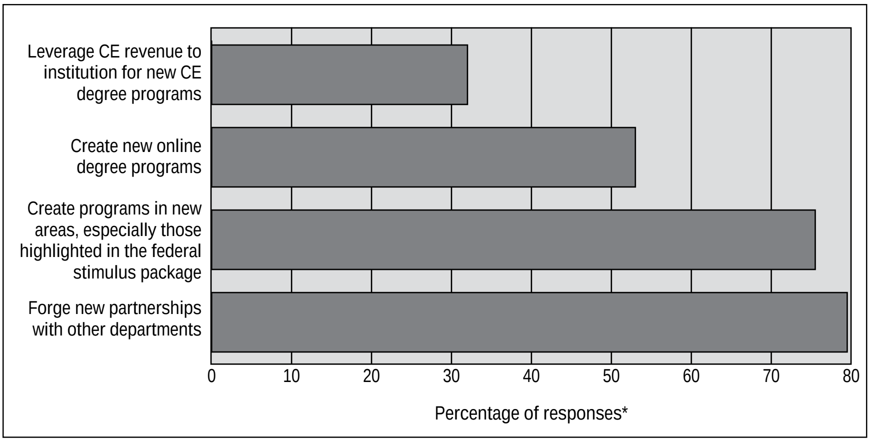
The four most frequent proactive responses deal with programming and marketing (Chart 5). Partnerships and online learning led the way on new programming opportunities for the CE unit that could enhance the unit's market position and carve out niches. One respondent wrote: "We're increasing our customer/learner support efforts to make sure students get the very best treatment in these tough times." Another wrote: "We're also trying to use this as an opportunity to strengthen internal, academic relationships so that they see us as a solution for their problems." Another commented that they were turning to more web-based/virtual marketing methods rather than paper-based ones.



**Participants could choose more than one response*

Chart 5. Proactive measures taken by CE units in current financial climate

Finally, in an effort to put the crisis in a positive light by emphasizing possible benefits, the responses targeted internal collaborations with other university departments and new programs, especially in areas where federal stimulus money was available (Chart 6). New online courses and programs seemed to be most popular approach to increase enrollments and revenues while meeting changing student needs. There was also a sense that CE could "become leaner and more efficient in serving the needs of students and identifying new growth areas."



**Participants could choose more than one response*

Chart 6. Opportunities for CE units

SUMMARY AND LESSONS LEARNED

Four overarching themes in the survey results were identified that reinforce the more qualitative understanding of how the current economic downturn is affecting institutions and CE units, and how they might relate to longer-term trends.

Online as a lifeboat

That nearly half of the institutions (25 of 52) report cutting their budgets is not surprising. Yet it is telling that even during a once-in-a-generation financial crisis, institutions are nonetheless making targeted investments, especially in online education. While it is a well-documented fact that institutions have been trending heavily in this direction for the past few years, these trends, while significant, have remained relatively marginal at many institutions of higher education. In the case of online education, for example, it has often been largely confined to the innovative work of CE divisions and schools. But to see new investments in online education even during a severe financial crisis may signify that online has truly come of age as a core strategy. Indeed, one can only conclude that CE units and presumably, their parent institutions see the popularity of online programs as a bulwark against enrollment declines. One respondent even noted: "Due to the growth of our online programs, the current financial crisis has not affected our day-to-day operations."

Partnerships:The new black

Forging more partnerships with employers and other institutions of higher education is another notable trend. While the philosophy of engagement has gained momentum in the past few years as a new model of outreach, the shrinking resources available to our institutions may make partnership and collaboration a financial imperative as well.

Internally, CE units are also aligning themselves more aggressively with colleges and schools for two primary reasons. First, partnerships with academic units align CE more closely with the core institutional mission. As a result, they are less vulnerable when off-mission activities are under financial scrutiny. Second, colleges and schools newly interested in increasing net as an alternative to a budget cut often need CE's entrepreneurial skills and capacity to succeed. CE units, in search of champions within the university, are happy to provide that added value.

Across-the-board vs. strategic and targeted cuts

Not surprisingly, the survey revealed a split between across-the-board cuts mandated by the institution and targeted reductions made by the unit or mandated by the institution. There was no dominant response. In many cases, of course, the unit is given no choice about its approach. But to the extent possible, CE units should consider lobbying for a more strategic approach by the institution and model that approach within the unit. After all, across-the-board cuts may be fine for a year or two or even more, depending upon the depth of the cuts. However, if a unit has already made cuts over the past few years, across-the-board cuts become unsustainable at some point. Many have now reached that point. To protect muscle and maintain quality, it may be necessary to be more strategic by asking tough questions about what is core to the unit's mission. For example, what programs and services generate a significant return on investment (ROI)? Are there legacy programs that are no longer tied to unit priorities? How do your programs/services align with your institution's strategic plan? Can similar units within your division/school be merged to gain efficiencies? Can you outsource certain functions? Answers to these and other questions may provide a way to use the financial crisis as an opportunity to do what was unthinkable during good times—first to challenge taboos, and then to refocus, restructure, and retool.

e-Frugality: Marketing on a Shoestring Budget

The perfect storm of severe budget constraints and an increasingly web-savvy marketplace has accelerated the long-term trend away from print publications and advertising toward web-based marketing. Of course the underlying rationale for this paradigm shift is the presumption of better ROI. While generally true in the abstract, the web is not a panacea and does not relieve a CE unit from the obligation of knowing who your students are, strategically positioning yourself within the larger marketplace of competitors, and measuring the effectiveness of your tactics. Effective and efficient marketing remains an important component for a successful CE unit.

WHAT THE SURVEY DOESN'T TELL US

The survey of institutional representatives provides a snapshot of how institutions were responding to the financial crisis at its height in March 2009. By most accounts, the fever of that crisis has subsided somewhat as a socio-economic event, even as the pressure on most institutional budgets remains a powerful force. For purposes of comparison, it would be valuable to repeat the survey in March 2010.

The survey does not indicate whether these responses are related to longer-term trends within higher education in general or CE in particular, though we have argued that in at least some cases—the rise of online, web-marketing, and partnerships—they are related. Nor can the survey explain how these trends may affect the role of CE within the parent institutions. For example, will CE continue to be a leader in growth areas like online? Even that leadership role has been changing in the past few years as parent institutions take note of the success of online education and either centralize operations under the provost or decentralize among the academic colleges and schools.

In summary, CE has always been at the leading edge of innovation and has responded in a proactive manner to external influences. Currently, the pace of innovation is accelerating as a result of financial necessity, rapidly changing technology, and increased competition from the for-profit sector. As continuing educators, we should reflect on the four results (above) and determine how they can create opportunities within our CE units and institutions. Additionally, we should identify upcoming trends within higher education and position ourselves to provide vision and value-added leadership despite the ongoing financial challenges.